

VZCZCXRO5039

OO RUEHAG RUEHAST RUEHBI RUEHCI RUEHDA RUEHDBU RUEHDF RUEHFL RUEHIK
RUEHKW RUEHLA RUEHLH RUEHLN RUEHLZ RUEHNEH RUEHNP RUEHPOD RUEHPW
RUEHROV RUEHRS RUEHSR RUEHVK RUEHYG
DE RUEHTA #0497/01 0790226
ZNR UUUUU ZZH
O 200226Z MAR 09
FM AMEMBASSY ASTANA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4966
INFO RUCNCIS/CIS COLLECTIVE 1394
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0771
RUEHKO/AMEMBASSY TOKYO 1474
RUEHUL/AMEMBASSY SEOUL 0458
RUEAIIA/CIA WASHDC
RHEFAAA/DIA WASHDC
RHEHNSC/NSC WASHDC 0954
RUEKJCS/SECDEF WASHDC 0867
RUEKJCS/JOINT STAFF WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RUEAWJA/DEPT OF JUSTICE WASHDC
RHMFIUU/CDR USCENTCOM MACDILL AFB FL

UNCLAS SECTION 01 OF 02 ASTANA 000497

SENSITIVE
SIPDIS

STATE FOR SCA/CEN, S/SRAP, EUR/RUS, EEB
STATE PLEASE PASS TO USTR

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [ECON](#) [EINV](#) [EFIN](#) [EAID](#) [RS](#) [KZ](#)

SUBJECT: KAZAKHSTAN: LEAD WTO NEGOTIATOR REQUESTS FLEXIBILITY

REF: (A) 08 ASTANA 2445; (B) 08 Astana 2570

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: On February 18, the Ambassador met with Vice Minister of Industry and Trade Zhanar Aitzhanova to discuss the status of Kazakhstan's WTO accession negotiations with the United States. Aitzhanova expressed frustration with the negotiations, claiming that the United States is asking for more concessions from Kazakhstan than it has from other countries. She noted, "We started this [WTO negotiation] process [with the United States] before the global economic crisis. It's a very different world now." She said that she is currently focusing on WTO negotiations with other countries, and at the same time working intensely on the proposed customs Union with Russia and Belarus because of the "real immediate benefits" of the latter. END SUMMARY.

KAZAKHSTAN TO CONTINUE WTO NEGOTIATIONS

13. (SBU) During a February 18 meeting with the Ambassador, Kazakhstan's lead WTO accession negotiator, Vice Minister of Industry and Trade Zhanar Aitzhanova, explained that despite frustrations with the accession process, Kazakhstan remains committed ultimately to entering the WTO. Aitzhanova had just returned from a trip to Saudi Arabia, and said that Kazakhstan is currently working to intensify its WTO negotiations with the Saudis, who are seeking challenging commitments from Kazakhstan in energy.

CUSTOMS UNION FORMATION ADVANCING RAPIDLY

14. (SBU) Aitzhanova detailed advancements made in the formation of the Russia-Belarus-Kazakhstan customs union (ref A), though admitted that it is highly unlikely Russia and Kazakhstan will meet the proposed April 1 deadline for the establishment of unified customs tariffs. According to Aitzhanova, the Kazakhstani government is currently "making its case" at political and technical levels in Moscow, with negotiations expected to resume in Kazakhstan after the March 22 Nauryz holiday. "It is not easy," she argued, "but the customs union is a two-sided process. Unlike WTO negotiations where

there is little flexibility, with Russia, everything is open to negotiation and political intervention."

NEGOTIATIONS ON SERVICES STALLED

15. (SBU) Aitzhanova insisted that both she and her team are and will remain responsive to U.S. WTO negotiators. Aitzhanova noted that there is still significant work to be done on agricultural issues, specifically about livestock and poultry, where U.S. firms directly compete with Kazakhstani ones. She expressed frustration at the status of negotiations with the United States on services. As she described it, there continue to be three primary areas of contention in the service negotiations: telecommunications, personnel, and financial services. Aitzhanova claimed that on services, both U.S. and the EU negotiators continue to demand far more from the Kazakhstanis than they have from other countries. For example, in telecommunications, Kazakhstan is willing to grant European satellite service providers access to existing, domestically-licensed telecommunication companies, but not general access to the greater market, as the Europeans are demanding. Kazakhstan is also being asked to give "open access" to the mass media, including broadcasting -- but this goes too far the Government of Kazakhstan.

16. (SBU) Regarding personnel services, including the hiring of qualified specialists, Aitzhanova explained that while this issue has been largely resolved with the EU, U.S. negotiators remain committed to removing any Kazakhstani local-content provisions from an accession agreement. "This issue is extremely important for President Nazarbayev, and would be too large a concession for us" said Aitzhanova, explaining that because almost 90% of the work in Kazakhstan's extractive sector is performed by foreign companies,

ASTANA 00000497 002 OF 002

the government must protect and develop domestic industry and human resources.

17. (SBU) In Aitzhanova's opinion, the United States is asking Kazakhstan to sign more a more concessionary agreement that is has asked of other countries, and singled out Vietnam as an example of a country getting a better deal from us. Feeling perhaps that Kazakhstan is becoming the victim of its own previous economic successes, Aitzhanova said "Every time we point this out, we are told that because the Kazakhstani government is so liberal, access should be liberal." Over the course of the meeting, Aitzhanova became increasingly frank in criticizing the WTO negotiation process with the United States. "If this continues to be the case, we will go to the customs union and get real immediate benefits," she maintained. As for services, "We have nothing left to offer," she said. "Washington recommends future digital video conferences, and we are ready for them. But we will only repeat what we have said," Aitzhanova explained.

NEXT STEPS UNCERTAIN

18. (SBU) "Frankly, we feel frustrated," Aitzhanova continued, "I know what you want, and frankly I do not have much to offer." Aitzhanova also repeated several times her belief that she feels the continued demands of the U.S. negotiators do not reflect the current economic realities facing Kazakhstan. "My experience is that negotiators are not always following what is going on in the world. We need reality to be reflected. We started this [WTO negotiation] process [with the United States] before the global economic crisis. It's a very different world now." Aitzhanova intends to focus on finalizing accession agreements with Ecuador, Saudi Arabia, and El Salvador, but at the same time will be responsive to USTR. (NOTE: With negotiations moving forward with the EU on export duties, Aitzhanova claimed she might be able sign an agreement on that specific issue during a planned trip to Brussels later in March. END NOTE.)

CUSTOMS UNION LIKELY TO TRUMP WTO

19. (SBU) According to Aitzhanova, prolonged negotiations with USTR on sensitive issues related to financial services, done in the light of the deteriorating global financial situation, are very likely to

give the customs union with Russia and Belarus a particularly attractive gloss. "There has been much talk, but little progress, and now this is being overlapped by the customs union," said Aitzhanova. "If we don't get something that reflects reality, we will need to postpone the WTO decision. "Without more flexibility from the United States, the customs union will take precedence." Aitzhanova acknowledged that Kazakhstan ultimately will seek entry into the WTO, and concluded that the Kazakhstanis know they must participate in the global market place.

¶10. (SBU) Aitzhanova noted that Prime Minister Karim Masimov continues to work flat-out on the economy, travelling in the regions to address growing unemployment and "very concerned about what will happen to the banks tomorrow." She confirmed that Masimov would welcome a call from a senior Obama Administration official.

HOAGLAND